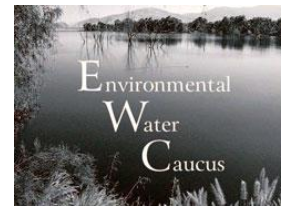




**NRDC**  
NATURAL RESOURCES  
DEFENSE COUNCIL



June 1, 2017

Todd Thompson, P.E.  
Water Use Efficiency  
Department of Water Resources  
P.O. Box 942836  
Sacramento, CA 94236

Re: Comments on Proposed Regulations – 15-Day Language – Water Audits and Water Loss Control Reporting

Dear Mr. Thompson:

Thank you for the opportunity to present these views in response to the 15-day language of draft regulations to implement SB 555. While this new text provides important clarifications and additions in response to public comments on the 45-day language, we are dismayed to see that the Department has proposed new loopholes in reporting requirements. Specifically, we object to –

1. Eliminating audit reporting for retail recycled water distribution systems;
2. Stripping the audit validator's recommendations for changes that were not accepted by the water supplier out of the listed elements of the validation report;
3. Compounding the shortcomings of fiscal year filing by allowing fiscal year filers to select a reporting year of their own choosing;
4. Allowing utility reporting on the "steps taken" in the preceding year to address real losses OR apparent losses OR data quality scores, rather than *each* of them as required by SB 555;
5. Allowing multiple separate service areas to be combined into one homogenized audit report.

Each of these proposals is an unnecessary step backward that removes value from the process of annual water audit reporting and disclosure. None of these changes proposed by the Department are required to conform with SB 555. We urge that they be removed from the final version of the regulations.

**NATURAL RESOURCES DEFENSE COUNCIL**

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## **1. Eliminating audit reporting for retail recycled water distribution systems.**

SB 555 (2015) requires that all retail urban water suppliers submit validated water loss audits on an annual basis. The law makes no exception for retail distribution systems carrying recycled water. Recycled water distribution systems should not be allowed to go unaudited and contribute to the waste of an important resource. Because recycled water is distributed separately from potable water, it is most appropriate for agencies with both potable and nonpotable retail distributions systems to file a separate audit report on each. Section 700.2 and other provisions where “potable” has been inserted should be revised to remove the exclusion of retail recycled water distribution systems from the annual water loss audit requirement.

## **2. Stripping the validator’s recommendations for changes that were not accepted by the water supplier out of the listed elements of the validation report.**

There is value in making a record of any changes that may have been recommended during the validation process that were NOT accepted in the final audit as submitted. It is quite conceivable that a local agency will prepare an audit with inflated data validity scores – giving themselves 8s and 9s when they should have been assigned 5s or 6s based on the criteria in the data validity scoring matrix. If a water loss auditor’s recommendations to revise unsupported data validity claims go unheeded and are not included in any final Level 1 validation report, how would anyone know that the 8s and 9s may have a doubtful basis? Of course, any agency retains the right to submit the final version of its audit report, and it may have solid reasons for rejecting a validator’s recommendations. But to not even consider these recommendations as part of a validation report, as DWR now proposes, makes the process far less transparent and the assessment and interpretation by anyone – local or State – of the final audit reports far more challenging. Section 700.3 should be revised to restore 700.3(b)(5)(D) and (E) from the 45-day language to the extent that a water audit validator’s recommended changes (if any) to data validity scores and water audit inputs were not accepted by the utility. This approach is more consistent with current industry recommendations for documentation of Level 1 validation reports.<sup>1</sup>

## **3. Compounding the shortcomings of fiscal year filing by allowing fiscal year filers to select a reporting year of their own choosing.**

In response to comments during the initial comment period, Section 700.5(a)(3) now allows for the fiscal information in an audit report to be drawn from the previous fiscal year. This modest change fully accommodates the needs of water suppliers that have previously prepared audit reports on a fiscal year basis rather than a calendar year, as

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<sup>1</sup> See *Level 1 Water Audit Validation: Guidance Manual* (WRF 4639A), p. 69.

most water suppliers already do.<sup>2</sup> With this addition, there is no need for an entire audit to be prepared on a fiscal year basis, and certainly no need to compound the loss of consistency by allowing a fiscal year filer to select from either of two fiscal years for reporting purposes.

There is value in establishing water loss reporting on a contemporaneous basis. Any analysis of water loss data trends and accomplishments would benefit by consistent calendar year reporting by all. And apart from adding to consistency, it should also be noted that calendar year reporting may reduce the impact of discrepancies associated with opening and closing the reporting year. Year-end closing presents specific challenges for reconciling water production data with customer sales data, the latter being generated by meter reading processes that lag production by up to 60 days in a system with bi-monthly billing. The effect of these discrepancies, and their inconsistent treatment from one year to the next, is magnified when the reporting period ends June 30 – as demand for water is entering the peak period, when each day’s water use may be 150 or 200% of the levels during winter months. Calendar year closing can reduce the impact of these issues on reported loss volumes.

Section 700.5(a) should be revised to remove the words “prefer to” in both places where it appears, and 700.5(a)(2) should be revised as follows:

(2) For Reports due October 1, 2017 only, utilities may provide Reports on a fiscal year basis that is not on a calendar year. Such Reports shall cover fiscal year 2016-17. Thereafter, Reports shall be on a calendar year basis commencing with calendar year 2017.

Recognizing that previous drafts of the regulations allowed for fiscal year reporting, and mindful that DWR’s delay in completing this rulemaking has pushed the final rule ever closer to the October 1, 2017 date for initial filing of validated audits, we recommend that fiscal year reports be accepted for this initial filing, and the requirement for calendar year filing be deferred until October 1, 2018.

#### **4. Allowing utility reporting on the “steps taken” in the preceding year to address real losses OR apparent losses OR data quality, rather than *each* of them as required by SB 555.**

Section 700.5(b) seeks to itemize the specific elements of the annual audit report. 700.5(b)(2) is intended to capture the requirement in SB 555 that urban water suppliers supplement their audit report with a simple narrative of steps taken, if any, in the prior year to improve data quality, to reduce apparent losses, and to reduce real losses. Specifically, the Section 10608.34(d) of the Water Code states –

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<sup>2</sup> Over 70% of the audit reports submitted by retail agencies with their Urban Water Management Plans in 2016 used a January to December reporting period.

(d) Each water loss audit report submitted to the department shall be accompanied by information, in a form specified by the department, identifying steps taken in the preceding year to increase the validity of data entered into the final audit, reduce the volume of apparent losses, **and** reduce the volume of real losses. [emphasis added]

However, the current draft of the regulation has converted the “and” in this sentence to an “and/or”, allowing a water supplier to limit its reporting to steps taken regarding one action in this series and remain silent on the other two. This is clearly inconsistent with both the intent and the letter of the law. It should be noted that this portion of the code carries no substantive requirement, simply a requirement to report on actions taken, if any. If no actions were taken, a compliant report is very easily prepared. But DWR cannot convert a mandatory reporting requirement into optional reporting. Section 700.5(b)(2) should be revised to replace “and/or” with “and”. And extending the period covered by this reporting requirement to three previous years is unnecessary; the law calls for reporting on action during the prior year.

#### **5. Allowing multiple separate service areas to be combined into one homogenized audit report.**

The combination of water loss data from separate service areas into one combined report for all service areas managed by a water supplier results in a major loss of value. In the case of water loss data, the more granular the better. After annual water loss auditing has become an established practice, many water suppliers go on to establish “district metered areas” to get localized information on leaks and losses. Allowing water suppliers to *combine* data from non-contiguous, hydraulically independent service areas into a single audit report moves in the exact opposite of this direction. Several urban water suppliers already have their system organized into separate reporting units for purposes of preparing urban water management plans and for preparing specific rates and charges for these areas. This granularity should be maintained in water loss reporting, rather than obscured, as proposed in Section 700.5(c). This provision should be removed.

#### **6. Clerical Correction to Section 700.3.**

Finally, a clerical correction is needed in Section 700.3(b)(2)(D). Strike “, including” and insert “and”. The word “including” is misleading, as it suggests that supply meter testing is part of (i.e., included within) the documentation of customer meter accuracy, when in fact the documentation of customer meter accuracy and supply meter accuracy are two separate exercises – both are important in their own right.

Thank you for your attention to these views.

Respectfully submitted,

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